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C O N F I D E N T I A L SECTION 01 OF 02 CANBERRA 001678

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SUBJECT: LABOR WINS MANDATE FOR CHANGE IN AUSTRALIAN
ELECTION

REF: A) CANBERRA 1671 B) CANBERRA 1462

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Classified By: James F. Cole for reasons 1.4 (b) and (d).

11. (C/NF) SUMMARY: With the polls consistently favoring Australian Labor Party (ALP) leader Kevin Rudd over Prime Minister John Howard's Liberal-National Party Coalition since last December, it was no surprise that the ALP won the November 24 federal parliamentary election (ref A). The overall national vote swing in favor of the ALP was 6.08 percent, giving them at least 23 more seats and a total of 83 in the 150-seat parliament. With seven seats still undecided as of Monday, November 26, analysts believe the ALP's seat total could ultimately reach 86-88, or a majority of 10-12 seats. The Coalition will retain its control of the Senate until July, however, after which neither party will have a majority and the Green Party will become the swing party in the Parliament's upper house.

12. (C/NF) Beyond the predictable switch to Labor, there were three unexpected results: Prime Minister John Howard lost his seat in Sydney; the swing to the ALP in Queensland, Rudd's home state, was a huge 8.3 percent and delivered at least nine seats to Labor; and the Liberal Party lost more seats than it expected to in the state of Victoria. In another surprise the day after the election, Peter Costello, outgoing Treasurer and heir-apparent to the leadership of the Liberal Party, announced he would not be a candidate for party leader (septel). Ex-Environment Minister Malcolm Turnbull, who performed strongly in his marginal seat on a day the tide was running against his party, and ex-Health Minister Tony Abbott have announced they are candidates for Opposition Leader. Also on Sunday, Rudd said new government ministers would be chosen on Thursday, November 29. The swearing in will occur the next day or early the following week. END SUMMARY

RUDD WINS WITH A LARGER VOTE SWING THAN HOWARD'S IN 1996

13. (U) Although the polls had given Kevin Rudd a steady 8-10 point lead over PM Howard since he became ALP leader last December, most political observers expected the difference to narrow before the election. In the end, the overall margin of victory was 6.08 percent, higher than the 5.1 swing won by Mr. Howard in 1996, but much less than the polls predicted. If the vote swing had been uniform, the ALP should have picked up 23 seats. With the higher swing in Queensland, however, the total seat gain for Labor is likely to be greater. Given that the ALP already held most of the seats

in Victoria, local pundits believed it would be difficult for Labor to pick up seats from popular, experienced Liberal Party incumbents. On the day, however, the 5.8 percent swing in Victoria delivered three and possibly four seats to the ALP, one more than the three that would have fallen with a uniform swing. Seven seats are currently too close to call but with six of those being Liberal seats, the ALP's total is likely to surpass 85.

AMONG LIBERAL RISING STARS BROUGH FALLS BUT TURNBULL SURVIVES

¶4. (SBU) Four, and possibly five Liberal Party ministers lost their seats Saturday night. Prime Minister John Howard was the highest profile casualty for the Liberal Party. His seat of Bennelong had become more marginal with a redistributing after 2004 that had added areas with more traditional Labor voters. With a photogenic high-profile opponent in Maxine McKew and a strong swing to Labor in New South Wales (NSW), Howard could not resist the tide of change, although the final result was 51-48 percent. Perhaps more damaging for the Liberal Party was the loss by Indigenous Affairs Minister Mal Brough in the outer-Brisbane seat of Longman. Brough, a young, rising star within the Queensland Liberal Party, had gained national attention with the Government's intervention in the indigenous community in the Northern Territories. As popular as he was, however, he held a seat with a volatile electorate that was sensitive to interest rate increases and open to the higher cost-of-living arguments of the Labor Party. He could not survive the big swing in favor of Queensland native son Kevin Rudd and lost his seat. Recognizing his charisma, the Liberal Party had wanted to put him in a safer seat before the election and now the disappointed Brough is talking about leaving politics.

¶5. (SBU) Environment Minister Malcolm Turnbull bucked a 6.52 swing against the Liberal Party in NSW to retain his seat in

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Sydney by 53.4 to 46.6 percent. A popular, charismatic figure in Sydney with immense personal wealth, Turnbull fought off a strong pro-environment sentiment in his seat to beat a Jewish opponent in a district with a substantial number of Jewish voters. It was a significant personal victory for him, and leaves him a good position to challenge for the Liberal Party leadership now that Peter Costello has withdrawn from consideration.

THE SENATE CHANGES - BUT ONLY IN JULY

¶6. (U) One half of the Senate was up for reelection. New senators however, only take their seats on July 1, unless the senator is from one of the territories, in which cases he or she is seated immediately. With Liberal Senator Gary Humphries being reelected in the Australian Capital Territory, the Coalition retains its majority until July 1. At that point neither the ALP nor the Coalition will have a majority and Rudd will need support from the Green Party, the Family First senator, and a new, independent senator from South Australia to pass legislation. Although difficult to accurately project so soon after the election, analysts are predicting the Coalition will hold 37 seats, the ALP 32, the Green Party 5, Family First 1, and one independent. The Australian Democrats lost all four of its senators and is no longer a viable political party.

COSTELLO BOWS OUT

¶7. (C/NF) In his concession speech, Howard had nominated Deputy Leader Peter Costello as his successor as head of the Liberal Party. The next day, however, Costello announced he would not seek or accept the leadership of the Liberal Party. Having run as part of the leadership team with Howard, Costello likely realized he had also been repudiated by the election result. Not as popular as Howard in the Liberal Party or in the country at large, and faced with leading a

political organization that is broke, demoralized and out-of-power everywhere in Australia, Costello likely realized that his prospects in the private sector were brighter than his chances of winning back power in three years.

NEW MINISTERS

18. (SBU) At a press conference the day after the election, Rudd announced that he would choose the members of his ministry and that the ALP caucus would meet in Canberra on November 29 to vote on the list. In the past, the ALP caucus has picked the members of the ministry with an eye to satisfying the different factions within the party. The leader then slotted those chosen into the portfolios of his choice. During the campaign, Rudd announced his economic team (ref B) of Wayne Swan as Treasurer, Lindsay Tanner as Minister for Finance, and Julia Gillard, Workplace Relations, and stated that he would chose the members of his cabinet. Given his decisive victory, no one doubts that Rudd will be able to name the members of his front bench.

A MANDATE FOR CHANGE

19. (C/NF) COMMENT: This was a decisive victory for Rudd that mostly reflected the Australian public's desire for change after 11 years of the Howard Government. He presented himself as a new - but conservative - leader who would be a safe pair of hands. Voters judged John Howard's workplace relations reform ("WorkChoices") as too harsh. His inaction on climate change was also a positive issue for the ALP. Moreover, Rudd ran a better-resourced and much more disciplined campaign than the Coalition. Rudd has already Qdisciplined campaign than the Coalition. Rudd has already vowed to sign Kyoto and begin drafting legislation to overturn WorkChoices as his first orders of business. Ultimately, Rudd won the election by keeping the more extreme elements of his party quiet and selling the message that voting for him represented positive change without economic risk. If Rudd can show that he can be a competent steward of the economy and resist pressure by the unions and Labor's left-wing (Unions NSW have already released a list of demands), he could enjoy an extended term of office in a country that does not change governments very often.

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